

## **MINUTES**

### **MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON FINANCE AND CLAIMS**

**Call to Order:** By **CHAIRMAN MIKE COONEY**, on March 29, 2005 at 8:00 A.M., in Room 317 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Mike Cooney, Chairman (D)  
Sen. Keith Bales (R)  
Sen. Gregory D. Barkus (R)  
Sen. John Brueggeman (R)  
Sen. John Cobb (R)  
Sen. John Esp (R)  
Sen. Steven Gallus (D)  
Sen. Ken (Kim) Hansen (D)  
Sen. Bob Hawks (D)  
Sen. Bob Keenan (R)  
Sen. Rick Laible (R)  
Sen. Lane L. Larson (D)  
Sen. Greg Lind (D)  
Sen. Don Ryan (D)  
Sen. Trudi Schmidt (D)  
Sen. Corey Stapleton (R)  
Sen. Jon Tester (D)  
Sen. Dan Weinberg (D)  
Sen. Carol Williams (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Prudence Gildroy, Committee Secretary  
Taryn Purdy, Legislative Branch

**Please Note.** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HB 63, 3/24/2005; HB 63, 3/24/2005  
Executive Action: HB 63

**HEARING ON HB 63****Opening Statement by Sponsor:**

**REP. DAN VILLA (D), HD 86, Anaconda,** opened the hearing on **HB 63**, School finance revision. The bill was amended on the floor of the Senate to include SB 177 as well as SB 147. The amendment that was proposed on the floor by **SEN. JEFF MANGAN** will be proposed again today. HB 63 in its original form included cleanup provisions for incorrect cross-references in statute, the payment of youth detention facility tuition payments from Impact Aid funds, and the leasing of school district property. An example of that included buses for firefighters during the summer. He offered HB 63 as a vehicle to move the state's education system forward.

**Proponents' Testimony:**

**SEN. JEFF MANGAN** asked the committee to consider the amendment he proposed on the floor. Originally, SB 177 allowed school districts that were unified to combine their budgets for spending authority. The amendment was taken out, because it cost \$2 million, but **SEN. RYAN'S** amendments on the floor saved \$2,050,000. The addition of his amendment would not cost any more money than was originally planned in any of the three bills, because of the block grant provision that **SEN. RYAN** placed on HB 63. Local control and the quality definition bill are important to local school districts. This amendment takes a first step towards that, and allows for true local control in the budgeting process at the local level.

**Lance Melton, Montana School Boards Association,** presented information on the fiscal impact of the amendments to HB 63.

**EXHIBIT(fcs66a01)**

He added to his testimony that he looked at the block grants and how they are distributed on a statewide basis. There disparity in that expenditure on a per pupil basis is glaring. There are a couple of districts that had no distribution, and the district with the lowest distribution was twenty-seven cents per pupil in a combined fund and fifteen cents per pupil in the district transportation fund. The high in both of those funds was \$570 per pupil and \$321 per pupil. That is relevant because the distribution of block grants has been included by the Legislative staff and the Governor's staff as part of the state share. The increase in the block grant money is part of the \$80 million increase. The Constitution requires that the state share is distributed equitably. Currently, this distribution is highly

inequitable. The last Legislature took a step in the right direction by eliminating the block grants for county retirement, so this is consistent with the practice of the last Legislature. It is how they funded the increase in the BASE and created the entitlements in SB 424. That was a more equitable distribution of the money that the state was responsible for distributing. This is another measured step in the same direction. This process will equalize taxes across the state on a per pupil basis. This will not fix the whole problem all at once, but will continue the work of eliminating cat and dog block grant programs, and distributing funds on a more educationally relevant, equitable basis. The fiscal note for SB 341 by **SEN. KIM GILLAN** identified that the K-12 flexibility language that they are seeking to add to SB 63 has a fiscal impact of approximately \$2 million. Allowing K-12 flexibility in unified and joint school districts will ensure that the funding increases in SB 177 can be put to the best use for children. The fiscal note projects that if school districts are allowed to be more flexible and more efficient in the way they distribute the money to the K-12 system, there will not be as much money coming back to the state in the next year because it is unspent. This will allow school districts to be efficient and the money provided in SB 63 will be used in the best way that will meet local needs. He contended that this is a good place to put the \$2 million net savings in the amendments that are already on the bill. He urged their favorable consideration of **SEN. MANGAN'S** amendment in that regard. The amendment waiving the election deadlines and allowing rescheduling of the election this year is consistent with the school funding legislation passed by this Legislature in both of the last two sessions. He recommended that they put a retroactively applicable provision in the bill. This bill waives all the deadlines, but by the time it is signed, even with an immediate effective date, those deadlines will be gone. Both SB 424 and SB 390 have retroactively applicable provisions. Regarding the amendment allowing all the districts to levy the same over-BASE taxes previously approved by the voters, he observed that districts that are equalized that are between the BASE and the maximum budget already enjoy that privilege. The law says they have to ask the taxpayers for any increase in over-BASE taxes. Districts that are over the maximum have to re-vote that increase every year. The amendment makes it so everybody is in the same place. It does not allow an increase in taxes without a vote; it allows taxes to remain the same as the previous year without a vote. The whole bill goes away in two years, so this is a temporary solution. Regarding the amendment extending the period of time that a district can adopt the over-maximum soft caps budget, they were concerned about districts that are over maximum and have to bring their budget down no later than five years after the first adoption of the over-maximum budget; The amendment would be for six years. He

explained a graph of district and county taxes as a percent of total revenues. The premise for school districts to pay federal retirement last session was that federal funding would come through at authorized levels. The federal appropriation is always smaller than the authorization. In the last two years, the federal fund that the Legislature projected when it implemented this policy came up \$22 million short. School districts increased their district spending through levies or by supplanting existing expenditures by \$22 million. He noted that is virtually identical to the projected impact on a countywide basis if SB 63 is passed. County taxes will go up by about \$10 million a year. They went down by \$10 million a year last session with the projection that school districts would be able to use federal funding that did not come through. He held that if they are trying to find a solution to taxes, the solution should be focused at the district and not the county level; allowing county taxes to come back up to the levels they were two years ago is the right public policy.

**Madalyn Quinlan, Office of Public Instruction OPI**, advised this bill started as a school finance clean-up bill at the request of OPI. At that time it had no fiscal note. The amendments that went on in the Senate created a cost for the bill. The amendments raised the per student entitlements and combined that with three-year averaging. It reduced the HB 124 block grants that are distributed to school districts and re-funneled that through the equalization. It reversed the retirement provisions that were put in place last session by SB 424. Schools can charge for their retirement benefits associated with all employees to district retirement funds. Election deadlines were waived for the current year, and the soft caps were extended. Schools were allowed to permissively levy the same amount of over-BASE taxes as they did in the prior year. The fiscal note has a total cost of \$67 billion. The bulk of that is the per student entitlement and the three-year averaging. The reduction of the HB 124 block grant more than pays for this change in the retirement provision. Those changes offset each other and allow some additional money which would be available to pay for the amendment that **SEN. MANGAN** requested. Addressing the assumptions in the fiscal note, she pointed out that when they do cost estimates, the amount they assumed for state Special Education payments affects Guaranteed Tax Base Aid. They are assuming a level that is in HB 2, which is the amount Governor Schweitzer included in his budget, and it was a 3.5 percent increase in Special Education. The fiscal note assumes two bills will pass which have to do with adjustments to the teacher retirement system. Those affect the cost of the overall bill. The district court ruled that the retirement provisions as they affected employees that are paid with federal impact aid conflicted with

federal law. That is being dealt with in SB 333 carried by **SEN. FRANK SMITH**.

**Dave Puyear, Montana Rural Education Association**, spoke in support of the amendments. Their concerns were with SB 177, the termination clauses in the bill, and the way the money is distributed in the process. They think this money may not go where it needs to go. **SEN. MANGAN'S** amendment may mitigate many of his concerns. The way the money is distributed, there is the potential for a cliff. It was his belief that many superintendents and Association members would be reluctant to put that money into teacher salaries, and that is where he thinks it should go. That assumes an obligation for the district for many years to come. The termination clause will be of concern to many Association members. The court decision includes discussion about teachers, teachers salaries, and recruitment. He urged the committee to make some changes and address the distribution and termination clause in SB 177 embedded in the bill.

**Ann Bellwood, Board Chair, Sun River Valley School System**, testified she has been on the board for two years, and has been disappointed with how inadequate school funding is. She is an agriculture economist and psychologist. She addressed the overall impact of what school funding has done to economic development in the state. In her valley, not only is the school the main event, it is pretty much the only event other than churches. It is the largest employer, the focus for cultural and social events in the valley, and the glue that holds their district together. As they have made cuts, they had to choose between music and athletics, shop and art, business classes and technology, science and math. These are not things they should be doing as a school board. As a board member, she is asked to meet all of the accreditation standards with less funding, and she does not think that is appropriate. She referred to her previous experience as director of an addiction treatment center. Programs that they had in their school district for early intervention are gone. Twenty years ago, districts trained teachers to screen for behaviors that indicated drug use. They could do interventions right in the school. All of that has been lost. She urged adequate funding for schools and support for the bill.

**{Tape: 1; Side: B}**

**Linda Gryczan, League of Women Voters**, went on record in support of HB 63. They do not think it is enough, and hope that the funding in HB 63 will be increased. They want to pay teachers well, offer them insurance, and adequately fund a free and quality education.

**Opponents' Testimony:**

**Eric Feaver, MEA-MFT,** rose in opposition to HB 63 with great reluctance. He concluded that the bill will pass, and that is necessary given the situation in the House. HB 63 is the only vehicle they have to finish their business in the regular session. They like everything in the bill except SB 177, which he described as a fraudulent piece of legislation. It does nothing to remedy school funding difficulties and does not address the Supreme Court's decision. It does not fund the definition they have adopted of a quality public education. He warned that it is a trap. He said he understands the difficulties they face, and is anticipating that HB 63 is the train ride to a special session. In his opinion, the Legislature has not addressed the Supreme Court's opinion and their own obligation to comply with the Constitution and their own definition to adequately fund a basic system of free public elementary and secondary schools.

**Jack Copps, Montana Quality Education Coalition,** also rose in reluctant opposition to HB 63. HB 63 on the surface looks like a very good bill, but has the potential to be disappointing to schools across the state. It embraces SB 147 and takes care of some problems that surfaced in the last legislative session because of the passage of SB 424. It provides for a three-year averaging for school districts that have declining enrollment. It allows all school districts to permissively levy an over-BASE budget that has already been approved by the local voters. If amendments are passed, there will be some inter-district agreements. It also has the potential to be a real villain. The reason that is so is because it incorporates SB 177 that pretends to provide adequate relief to districts until a new funding system is devised and implemented. SB 177 is unacceptable; it is built on a promise that may not materialize for an extended period of time. SB 177 does not stabilize schools, it does not address recruitment and retention problems, and does not address accreditation problems. It certainly does not address the increasing burden that has been place on local property taxpayers. SB 177 increases ANB entitlement in the first year of the biennium by .9% for high school ANB. That does not allow school districts to recover. In some cases, it is not going to prevent school districts from further cuts. This has been described as a cliff, and that is exactly what it is. There is no additional relief at either the elementary or high school level for ANB purposes in the second year of the biennium. SB 177 promises that something will happen before the second year of the biennium, but that promise is based on the notion that there will be a new funding system in place. According to the Court, the new funding system must be based upon a cost-based analysis of educationally relevant factors. A study must be conducted to

determine what the real educationally relevant factors cost, and that will take some time. Without a special session before the 2006 and 2007 school year, there is a real cliff. In its present form, SB 177 defies the Court's expectation and invites and encourages further court action. As tempting as HB 63 is at this point, it is a poison well unfit for consumption.

**Informational Testimony:**

**Jim Standaert, Legislative Fiscal Division**, referred to materials he handed out at the request of **SEN. JON TESTER**.

**EXHIBIT (fcs66a02)**

He noted there is a difference between the fiscal note and the numbers he put out. He said he looks at this bill from a HB 2 perspective, and the fiscal note looks at it from a slightly different perspective. He referred to the chart in his handout that showed the impact of SB 177 on K-12 Base aid costs through FY 2009. The chart showed that in FY 2004 they spent \$450 million on Base Aid. That is a known number in HB 2 that they compare everything to. The fiscal note compares everything to a number as if there was not a present law inflation adjustment and shows an ANB decline. There is \$480 million in BASE aid in 2006, and \$482 million in 2007 currently in HB 2.

**Questions from Committee Members and Responses:**

**SEN. JOHN ESP** referred to the testimony of the opponents that this bill does not get at the real solution. He asked **Mr. Melton** about his reaction and why he thinks this is better than trying to get to the end game. **Mr. Melton** declared, if some school funding does not pass this session, he believed they would be in violation of the Court's order. HB 63 provides a title that can include anything affecting school finance. It allows them to work with the House in a productive way that they cannot on any other bill. The Court said it is clear that the output of the existing system is Constitutionally insufficient and that the current funding for schools is inadequate. They cannot just get to the end game and forget about funding under the current structure. They have to address funding under the current structure, because they do not have a new structure. The Court has said that the current funding is inadequate. That means any school district that has to cut what it already has in the next two years could be construed as a violation of the Court's order. If they oppose funding the current system and state aid goes down, that would be a disaster of unbelievable proportions. More funding is needed in order to prevent cuts in school districts over the next two years. In HB 63, provided they adopt the K-12

flexibility amendment, they will make more headway towards insuring there is a lesser number of school districts that experience cuts in the next two years. The combination of the SB 147 amendments and the amendments to allow K-12 flexibility will substantially improve the number of districts that will be able to get by in the next two years without further cuts. **SEN. ESP** inquired if there had been any discussion about funding 2006 under the old mechanism and having something new by 2007. **Mr. Melton** indicated there has been a lot of talk about that. **SEN. RYAN** constructed SB 177 to address the first year with the goal that a new funding system would be in place by the second year that would meet the terms of the Court's order. That is why much of the money in SB 177 was front-loaded into that first year. There has been a lot of discussion on that. He disagreed with the strategy of putting the termination clause on the whole bill, but understood that is a signal of intent to work toward a new funding formula. **SEN. ESP** asked if, collectively, the people working on education decided they cannot get there in one year and it will take longer than a year and a half to plug numbers into the definition. **Mr. Melton** believed that could be done and be ready to implement in the second year of the biennium, but he believed they would need time after the session adjourns to do that. He thought a year would be adequate time for an interim committee to conduct an assessment of educational needs and craft a proposed formula for adoption. Previous studies, such as the one by the School Renewal Commission, provide an adequate set of assumptions. **SEN. ESP** inquired if districts would permissively levy at the local level to backfill the \$5 million from the block grants. **Mr. Melton** said that was partially correct. Last session in SB 424 they rounded up block grants that were distributed across every budgeted fund and called them the combined fund block grant. School districts currently enjoy the ability to distribute that \$3.2 million to any budgeted funds; forty percent of the combined block grants is distributed to the flexibility fund; sixty percent goes to tax relief. The district transportation block grant of \$1.8 million is specifically tax relief, and the taxes on a statewide basis for district transportation would presumably go up by that amount. The impact widely varies from district to district. **SEN. ESP** said the overall effect would be if they lowered taxes before they will be increased now to make up for it, and if they increase spending they will probably have to levy local mills to keep spending at that level. **Mr. Melton** did not believe that is the way this would work out in terms of the district transportation. A school district has the ability to levy the taxes necessary to pay for transportation costs, but those transportation costs are capped by law. That is an additional safeguard to insure taxes do not rise beyond the amount that is being eliminated in the block grant. **SEN. ESP** said that is only in relation to the \$1.7



million. **Mr. Melton** said that is correct; he already addressed the combined fund block grant, which is already being spent.

**SEN. ESP** asked about the cliff that school districts might fall off of if they do not spend the soft caps. It was his understanding that the soft caps allowed school districts to plan so there was no cliff. **Mr. Melton** advised, when they worked with then **SEN. BILL GLASER** on doing this temporary over-max provision that was put in **REP. ELLIS'** bill, they talked a lot about the fact that five years would allow state aid to come up in such a manner that there would be no cliff. The presumption was that many of those districts would never have a cliff, because by the time they had to go down to the maximum budget, the increase in state aid would be such that the lines converged. That has happened with a lot of the school districts that adopted those soft caps. The majority will be equalized under the numbers in SB 177 and HB 63. There are some districts whose pace of decline in enrollment, particularly in smaller rural areas, was at such a rapid level that there is still a substantial disparity between the budget they are operating at now and the budget they would have to adopt if they had to drop down to the maximum in the next year. He thought there were about 40 school districts with soft caps that will not be equalized under the funding provided in HB 63. **SEN. ESP** asked if any of the amendments, and the philosophy behind them, get them any closer to solving the problem they are supposed to be solving which is how the funding system can meet constitutional muster. **Mr. Melton** indicated the SB 147 amendments, in particular, would eliminate the remaining cat and dog HB 124 block grants, and they would have the big one to take care of. He said that **REP. GLASER** favors addressing that one as part of the re-invention of the system. He thought SB 147 continues the effort that was done under SB 424 last session to distribute block grant monies on a more equitable basis. He thought this allows the state to make a better case that it is taking reasonable steps toward implementing the Court's ruling. The Court said they could implement the ruling over time. As long as HB 124 block grants show up on Legislative Fiscal Division analyses of what the state share is and in the Governor's budget, etc., they will have to justify why they are distributing those inequitably. He described that as the key amendment in the bill in terms of making headway toward compliance with the Constitution and the Court's ruling. **SEN. ESP** argued they could look at those block grants as the local share. The local share does not need to be equalized across the whole system. The block grants were local money that the state took and gave back. **Mr. Melton** advised now that the state is distributing them with an inflationary adjustment, it is the state share. There are two obligations under the Court's ruling. One is to provide immediate relief to prevent a system that has been found to be constitutionally deficient and inadequately

funded from going further into the drain. SB 147 is the key amendment in that regard in making headway toward constitutional compliance; so is allowing schools to keep last year's taxes, the waiver of the election deadline, and the K-12 flexibility provision. All of them are designed to provide more flexibility and a better way for school districts to meet expenses in the coming two years. It is the obligation of the Montana Legislature to meet the terms of the Court's order.

**SEN. COREY STAPLETON** asked **REP. VILLA** if he supports his bill as amended. **REP. VILLA** believed this bill was part of a larger scheme that will move them towards fulfilling the obligations of the Supreme Court ruling. **SEN. STAPLETON** asked for yes or no. **REP. VILLA** replied he supports the bill as a vehicle towards a final solution. **SEN. STAPLETON** addressed **Mr. Melton**. If the bill does not pass this, they are back in court. The opponents say if the bill passes, they are back in court. It seemed to him that **Mr. Melton** had crossed over the threshold of what his price is, where he will settle for a fatally flawed system in the interim, instead of coming into the session and doing what those who sued were asking. He expressed disappointment in those who sued, but it seemed to him they just gave an indication they will sue again or continue to sue. It seemed to him that **Mr. Melton's** group would have opposed something short of the solution.

*{Tape: 2; Side: A}*

**Mr. Melton** replied that was not the case. He said he looks at this from an attorney's perspective. He did not think there was any way possible to meet the terms of the Court's order that says they have to assess educational needs and define quality. They defined quality in SB 152. They cannot assess educational needs. They know the existing system is inadequate, and there is no contradiction in his support of this bill. Studies of educational needs take voluminous input and analysis from the field. He did not believe if they had started on the first day of the session that they had adequate time to come out of the session with a formula that would be fully compliant with the Court's order. **SEN. STAPLETON** countered that was not **Mr. Melton's** decision. He contended the Legislature can do a lot of things. **SEN. STAPLETON** asked **Mr. Melton** whether "you" meant him or the Legislature that cannot define a new mechanism and come up with an amount instead of a throw back to the current system, which draws opposition from the very people who sued in the first place. **Mr. Melton** said "you" is collectively the state, which includes the Legislature. In terms of what the Legislature can and cannot do, he claimed his organization does have a say in that; they are a named Plaintiff. Had they started on January 1 and looked around at what an assessment of educational needs

denotes throughout the nation, they would have found there was not time to complete that task before the session adjourned. The Court's order says they have to define quality and assess educational needs before they can develop a new formula. They have completed one of those tasks. The Court also said that until the new system is funded and defined, that the existing system is inadequately funded and the output is constitutionally deficient. He thought that meant they have to do something with the existing system in order to maintain compliance with that portion of the Court's order. The Association supports immediate relief and a long-term solution. The immediate relief has to be designed to prevent further harm being inflicted on a system that the court found constitutionally deficient and inadequately funded. They have to show they are taking steps toward compliance by October 1, 2005. The Joint Select Committee is focused on coming up with a solution that could be implemented before two years from now. He thought two years from now would not be appropriate. Either they try to address that as best they can in the regular session, or reserve days to address it during the interim. The bill is front-loaded in the first year to address the immediate relief with the intention of addressing it comprehensively by the second year. **SEN. STAPLETON** described being a proponent of a bill that was amended on Second Reading on the Senate floor with no prior notice as a no-win situation. If the House is doing such good work on the select committee, he inquired why this bill was not in the same form it was in Senate Education. They are seeing the fiscal note for the first time. There are formidable opponents to the solution. He wondered how that puts them in a situation so that, when they leave here, they can say they did the right thing for education. **Mr. Melton** maintained he supports the bill for a number of reasons. The title is broad enough to allow the Legislature as much flexibility as possible in the remaining session. The other reason they support the bill is it makes measured progress toward necessary adjustments to the existing formula to get this done. He has been before this committee on SB 333, SB 147, and SB 177, which combined together represent the entire cost that is referenced in this bill. This committee endorsed each of those proposals, and the Senate endorsed two of them by wide margins. He did not feel his testimony should surprise this committee. They have seen it and heard it. It is consistent with everything he said before this committee during the session.

**SEN. BOB KEENAN** referred to **Mr. Standaert's** handout showing Legislative changes (Exhibit 2). It appeared that OPI has an increase of \$18.5 million in new money for the next biennium. **Mr. Standaert** said that is correct. **SEN. KEENAN** said it follows that the general fund distribution to schools would be a \$77.4 million increase in the next biennium over BASE. **Mr. Standaert**

replied this reflects what is HB 2 at the current time. **SEN. KEENAN** indicated the federal increase is \$35.6 million, so the total is \$131.5 million in new money into K-12 in the next biennium. **Mr. Standaert** affirmed that is correct, but it does not include any property tax increases that will occur at the local level. **SEN. KEENAN** calculated there is \$40 million to \$45 million dollars of property tax increases built into these numbers as well. **Mr. Standaert** advised SB 177 by itself, at the district level, will result in BASE taxes that are below the 80%. That would be \$9 million in the first year, and \$11 million in the second. Taking away HB 124 block grants of roughly \$10 million, if **Mr. Melton** is right, will not automatically result in a property tax increase, but all the rest of it will. That is about another \$7.5 million. SB 147 will raise state BASE aid by \$8 million; that should turn into another \$22 million in local county taxes. **SEN. KEENAN** said that approaches \$50 million. There is approximately \$180 million of new money to schools over last biennium. **Mr. Standaert** said, yes.

**SEN. KEENAN** referred to the spreadsheets by district. The chart looked at SB 177 versus HB 125 and the effect on every district across the state of Montana. SB 177 appears to be targeted to help schools that have declining enrollment. **Mr. Melton** thought that was correct. The ANB averaging and the direction of funding at the elementary level tends to have a higher decline than the high schools. **SEN. KEENAN** agreed that the averaging is the key part of SB 177, which drives money towards the declining enrollment in schools. He expressed concern about winners and losers. Great Falls appears to be a big winner in SB 177, Billings is a big loser, Kalispell is loser, and Missoula is a loser. He guessed that HB 125 is dead, but he wondered how they would justify, individually, going home to districts that are losing under SB 177 for the gain of the districts that have the declining enrollment. **Mr. Melton** thought that was a legitimate concern. He contended one of the most vocal proponents of the ANB averaging has been the Bigfork School District, because the high school district there benefits. He had significant contact from the business manager of that district over the last few days over the importance of retaining ANB averaging in SB 177.

**SEN. RICK LAIBLE** said he did not hear about the inadequacy of the funding in this bill, only that the formula is not in place as the court requested. He asked what is necessary going forward to meet the requirements of the court and resolve the issue of the opponents. **Mr. Melton** replied immediate relief as addressed in HB 63, the definition of quality, and the assessment of education needs. The assessment of educational needs is being undertaken and is a work in progress by the Joint Select Committee with **SEN. DON RYAN**, **SEN. ROBERT STORY**, **REP. HOLLY RASER**, and **REP. BILL**

**GLASER.** Given the court's ruling that the current system is inadequately funded, he favored a way to ensure that school districts can meet their expenses over the coming two years, without making that contingent on a successful levy, until they can come up with a new system that is being developed by the Joint Select Committee. He did not believe there are adequate funds in HB 63, even with the amendments, to ensure that no school district has to cut its budget. He thought they have some tough decisions in that regard. The Havre School District had an increase in its health insurance premium of 40%. That cannot be addressed in the formula and will raise their overall expenditures by 5% in one year. The Billings School District has a 28% increase in its health insurance premium and a projection that there will be ongoing increases of approximately 18% per year in the foreseeable future. He thought getting a levy done would be a difficult process. He favored addressing the short-term funding in a way that preserves, to the greatest extent possible, the existing status quo, and allows school districts to grow their budgets sufficiently, without being contingent on a vote, to prevent cuts while they are developing the new formula. There is a 5% solution that might allow them to do that. The reason they support HB 63, in particular, is because it allows that kind of innovation in the remaining days of this session, because the title is broad enough. If they waited for SB 147, which is not even on the Senate floor yet, and for SB 177 to come back from the House, they might find themselves with three days left in this session scrambling to figure out a way to patch it all together. **SEN. LAIBLE** said it looked questionable from the start that they could accomplish all they had to accomplish. He asked if there will be additional funding required beyond this bill. They are putting money into a funding formula that is broken. A special session will be required to pull together SB 152, HB 63, and the funding mechanism required by the court. **Mr. Melton** thought it would be best to reserve some days and allow their Joint Select Committee to work in the interim on assessing educational needs. He did not think they could address short term funding now and then wait until July 1, 2007 to develop the new funding system. The court says there is deadline of October 1, but there is some leeway to implement the solution over time. **SEN. LAIBLE** asked if they are making progress on an acceptable timetable. **Mr. Melton** believed they had made good headway with the definition. The assessment of educational needs has to occur during the interim, and he thought this bill allows them to have that discussion and make sure where they stand on the short term relief.

**SEN. LAIBLE** asked **Mr. Feaver** if the funding in SB 63 was not his major concern and if his major concern was the funding formula that the court found faulty. He wondered why **Mr. Feaver** was

opposed to the bill, since there is a bigger picture and a larger plan. **Mr. Feaver** hoped at no time did he say the funding is adequate and that somehow SB 177 represents an adequate funding formula. The best parts of SB 63 are the appropriation of SB 147 and SB 333, which corrects a huge mistake made by the last legislature. He said the bill is not a major step forward when it comes to dealing with educationally relevant factors, although it looks like that. He sees it as a step to re-establish the status quo. That was a huge mistake last session that divided the education community in a deeply serious way. He is delighted that they can pass SB 147, and if they can pass it in HB 63 so much the better. He liked the mill levy flexibility component. They had done that on a temporary basis in several legislative sessions and putting it into statute makes sense. The soft caps and the over-base permissive levy are stop gap measures only. This in no way addresses a formula. Without the flexibility amendment that **SEN. MANGAN** proposed, the 50 to 250 split between high school and elementary ANB is atrocious. There is a serious question about that flexibility provision if they were to adopt it. There is a taxpayer issue if the dollars that the state appropriates for one district in a unified place are used in another. This can only be seen as a temporary stop gap measure. It would be a serious departure and an unprecedented, unique break from the past. There are really 444 taxing jurisdictions. That is the key element that makes school funding situations so difficult to address. Those taxing jurisdictions may be unified, but they are still different taxing jurisdictions. HB 667, the current funding formula, was adopted in 1993, when the Legislature saw itself without much money. That bill took \$30 million out of state funding of schools in the regular session in 1993. Things did not get better that year, and a special session convened in December of 1993, and took another \$20 million out of school funding from the state, but allowed school districts to levy back 80% of that if they chose to do it permissively. It has been a slippery slope ever since. The 1995 Legislature appropriated no increase in school funding. The 1997 Legislature raised entitlements 1% and 1% in each year of the biennium. The 1999-2000 special session did 4.5% and 6% for high school and elementary over that biennium. In 2001, it was 1.8% and 1.8%. In 2003, it was 2.0% and 2.1%. He asserted that we have failed to fund schools. SB 177 does not make it so; it will not do it. The formula itself is flawed; it has failed. He could not stand before them as an advocate for public education and tell them the answer is HB 63. It is not. The only educationally relevant factor that is being addressed in HB 63 is benefits for school employees. They had addressed that through time until SB 424 in the last session. Now they are just fixing it. He contended this committee had not had the opportunity to see the bill that actually would address an educationally relevant factor, perhaps the most important, primary, educationally relevant factor of

them all, and that is the recruitment and retention of quality classroom instruction. Underscored throughout Judge Sherlock's decision and the Supreme Court's opinion

**{Tape: 2; Side: B}**

is that they must address the educationally relevant fixed costs. One of those is the recruitment and retention of quality classroom instructors. There is a bill in the House that is not going to make it to the Senate that would put about \$46 million in the second year of the biennium into public school funding, and it would not raise one single penny of property taxes. It would fund educationally-relevant fixed costs, the retirement benefits for school employees. It would provide school districts \$2400 a year in their enrolled employees in funding for any school program the school district chose. It is student directed, and it is right on target. It would get the Legislature where they want to go. He said they would probably have to go to a special session. At that time, this ship will come sailing in again, because the Legislature cannot avoid what the court has been talking to them about, and that is addressing fixed educationally relevant costs and not relying upon a flawed, constitutionally-failed, enrollment-driven funding formula, which is exactly what SB 177 feeds. **SEN. LAIBLE** expressed confusion. A legislative process is a matter of components, and this bill is made up of components. **REP. VILLA** had a bill that was a vehicle for SB 177 and SB 147. He said that **SEN. RYAN** did a lot of work on this process with SB 152. They are bringing all these pieces together. He found it ironic that this is not all the funding that will be required, according to **Mr. Melton**. He thought that was an accurate statement. He asked **Mr. Feaver** why he would oppose a bill that is only components. There will probably be more components. He wondered if there is ever going to be enough to make this acceptable and eliminate future lawsuits. The funding formula is something that is going to be addressed and is part of the process. Whether that occurs in this session or in a special session, it has to be done. If this bill does not pass, they have lost the key component to go forward. **Mr. Feaver** said there was not that much difference between **Mr. Melton's** testimony and his own. It is a matter of perspective. His organization's protocol is to not support bills that have flaws. They do not want to confuse their members or the public into thinking that this is the cat's meow, the sliced bread, the melted cheese on the hamburger, and that they are happy. They are not. There are components of this bill they like, and they have identified them. There is a component of this bill that they do not believe gets them where they want to go. He reiterated that, unfortunately, the lobbyists will be joining this Legislature in a special session sometime later in the year.

**SEN. BOB HAWKS** asked **Mr. Melton** if he agrees the differences between proponents and opponents at this moment have to do with differences of opinion as to what is adequate with regard to a background study of needs. **Mr. Melton** said, to his knowledge, both opponents and proponents agree what an adequate assessment of educational needs would entail. **SEN. HAWKS** said there is evidence nationally to suggest that any number of these studies have been fiscal quagmires across the county. He wondered if there could be some coming together between proponents and opponents as to what constitutes an adequate study of needs so they can move on with the formula and get this in place. **Mr. Melton** thought it may be a matter of articulation rather than agreement. He thought the agreement was there. Nobody was saying the Legislature had to give their legislative authority to outside experts. He urged consideration of the work of the School Renewal Commission and a previous study. The methodology, if not the amounts that were arrived at, is pretty sound. People in the education community recognize the need of the Legislature to maintain control over that assessment. They recognize there may be some need for access to expertise during the time, but he thought it may be a matter of better articulating where the education community stands. He would be glad to work with others to provide a clear statement in that regard.

**SEN. KEITH BALES** told **REP. VILLA** this will probably pass this committee, and it will probably pass the floor of the Senate. When it gets to the House, it will have a huge set of amendments. He wondered what **REP. VILLA'S** motion would be on the House floor in regard to the Senate amendments. **REP. VILLA** replied he would urge the House to concur. **SEN. BALES** said that **Mr. Melton** had indicated this was the vehicle they would work with until the end of the session to try to come up with some solution. If they do that, and it is concurred upon, he inquired how they can use this as a vehicle. **REP. VILLA** advised they still have time to sit on this and slow the process down. **SEN. BALES** contended if the House concurs in the Senate amendments, then it goes to the Governor's desk. The only way that it can go back and have any further consideration is if it is not concurred in and it goes to a conference committee. He asked if the intention was to go to a conference committee or have this be the final say. **REP. VILLA** responded, as they move through this legislative process, they will do what is necessary to fund education this session. The process by which they do that will play itself out over the next twenty-four days. When they get the bill back over to the House, the bill will not look like what it looks like now. He said he jumped the gun when he said he would move to concur, because he would have to see what the Senate does to the bill.



**SEN. KEENAN** advised there is less than 150,000 ANB in the K-12 system, and they have established the fact that, at this point in time, they will have \$180 million of new money going to schools, which is approximately more than \$1200 per student for the next biennium. It seemed like a lot of money to him. He asked about the repealer on the last page of the bill of 29-375 for the technology funds, and he wondered why they are repealing that section. **REP. VILLA** deferred to **Mr. Melton**. **SEN. KEENAN** recalled, in 1997, they created a separate account for \$42 million for technology. He was curious why that was being removed. **Mr. Melton** did not know. **Joan Anderson, OPI**, responded that was part of the original HB 63 that was cleanup language for school finance law. That section does not repeal the actual reference to that fund; it repeals a section that was there for a one-time-only funding that was done two sessions ago.

**SE. ESP** said everyone was in agreement on the SB 147 concept. He saw it as a shift from federal funding to local funding. If they could find the money at the state level to plug into that, in the same way that the local funds would plug into that, he wondered if that would be acceptable on an ongoing basis. That would leave the federal funds paying their own retirement. The state would backfill from the state level proportionately to what local taxpayers would pick up. That would allow federal retirement to grow with the federal funds. **Mr. Melton** advised they support increased state responsibility for what is a constitutional obligation to maintain actuarial soundness of the retirement system. If **SEN. ESP** is suggesting the state would raise its guaranteed tax base support level so it funded a greater share of that and county tax taxes did not go up and the state funding went up by that \$10 million instead, they would support that. **SEN. ESP** inquired if there is a way to do that in proportion to the actual federal retirement costs. He thought that was an option, and he would hate to see them go backwards if they can figure out a way to leave it in place. **Mr. Melton** said he would discuss that with others that know more about that program than he does and get back to him within a day.

**SEN. BALES** asked **Mr. Standaert** how the \$131 million distribution to schools (Exhibit 2) relates back to HB 63, the fiscal note, and what is HB 2. **Mr. Standaert** advised the \$131 million, except for the \$6.1 that is in HB 791, which is **REP. CAROL JUNEAU'S** bill for Indian Education for All, is included in HB 2 at the moment. There will have to be some adjustments in HB 63 to these numbers. They are still working on it. **SEN. BALES** asked about the total increase if HB 63 passes. **Mr. Standaert** advised he measured from a known number from FY 04. There is a \$73 million increase in Base aid. That also includes **SEN. MANGAN'S** amendment, but does not include the retention of the HB 124 block grants, which is a

savings of \$10 million. The \$73 million would go down to \$63 million. That is the effect of the bill on the distribution side. In the distribution to schools the \$60.5 would become some other number. **SEN. BALES** said the Base aid would be HB 63, and **Mr. Standaert** answered yes.

**Closing by Sponsor:**

**REP. VILLA** apologized to **SEN. BALES**. He will have to see what the Senate works out through the process before he makes any statements on what his motion will be. He claimed that they are making progress. They defined what basic quality education is through SB 152, and are increasing funding in the short term in HB 63. They will develop a new funding mechanism based on the definition contained within SB 152. It is difficult to solve a decade of neglect to schools in 90 days, and get done all of the other things that they must deal with as a Legislature, including cope with Supreme Court decisions. In the interests of the students of this state, which is why they are here dealing with education, he urged their concurrence in HB 63 to move towards the final remedy.

**REP. VILLA** said there is a technical amendment that he asked that they attach to the bill.

**EXECUTIVE ACTION ON HB 63**

***{Tape: 2; Side: B; Approx. Time Counter: 22.5}***

**Motion:** **SEN. RYAN** moved that HB 63 BE CONCURRED IN.

**SEN. RYAN** asked about the retroactive deadline on the election times. He wanted to make sure they got that solved, and he asked **Mr Melton** to address the issue. **Mr. Melton** said the problem with that section of the bill is it changes the election deadlines, but if it is not signed until some of those election deadlines have already passed, it cannot apply to a date that has already passed unless that section is retroactively applicable. They cannot waive a deadline that has already passed. **SEN. RYAN** asked **Ms. Anderson** if it is correct that it has not been addressed sufficiently. **Ms. Anderson** said it is difficult to give schools the assurance that the deadline that is passing tomorrow will be okay because the bill will be signed by the Governor later. She had no problem or conceptual difficulty with putting an amendment like that in, because she did not think it hurts anything. **CHAIRMAN COONEY** advised he spoke with staff and they think they can do a conceptual amendment.

**Motion:** SEN. GALLUS moved A CONCEPTUAL AMENDMENT TO INSERT IN THE BILL A RETROACTIVE APPLICABILITY DATE THAT WOULD TAKE CARE OF ALL OF 2005.

**Discussion:**

Taryn Purdy, Legislative Fiscal Division, said she would talk to the legal staff that put this bill together, but she saw no problem with doing that conceptually to take care of that issue.

**Vote:** Motion carried unanimously by voice vote.

**Motion:** SEN. RYAN moved that HB006305.AEM BE ADOPTED.

**EXHIBIT**(fcs66a03)

**Discussion:**

Ms. Quinlan explained the amendment deals with an exception clause that is attached to the wrong subsection. On page 17, line 20, it should have applied to the school districts who are currently adopting a budget over the maximum budget. This is the provision that went on in the Senate to allow school districts to permissively levy up to the same over-base property taxes that they levied in the prior year. School districts that are below the maximum currently have that provision in place. The effective date of the provision that has to do with retirement, the SB 147 provision, should be July 1, 2005 so it will apply to school FY 2006. They do not want it to apply immediately to the current year, because budgets are already set.

SEN. ESP said they need to move the bill as amended before they can further amend it. He asked where the amendments would be applied. CHAIRMAN COONEY advised they apply to the orange copy.

**Motion:** SEN. RYAN moved that HB 63 BE CONCURRED IN AS AMENDED.

**Motion:** SEN. RYAN moved that HB006305.AEM BE ADOPTED.

SEN. STAPLETON asked how these amendments reconcile with the amendments that were put on previously on the floor.

*{Tape: 3; Side: A}*

SEN. RYAN indicated the first amendment is to move the effective date. The second amendment is a technical amendment to make SB 147 effective in the next fiscal year, which was the intent of the bill.

**Vote:** Motion carried unanimously by voice vote.

**Motion:** SEN. RYAN moved that HB 63 BE CONCURRED IN AS AMENDED.

**Motion:** SEN. RYAN moved that HB006301.AEM BE ADOPTED.

**EXHIBIT** (fcs66a04)

**Discussion:**

**SEN. STAPLETON** asked if this amendment affects how different communities were affected. Billings loses \$2 million compared to HB 125. **SEN. RYAN** advised this does not address all of the things that could have been in HB 125, because HB 125 is a dead duck if the House does not act on it, and refuses to act on it. It is a more expensive bill than HB 63. This was originally part of SB 177 that was discussed in the Senate Education Committee, and they recommended do pass. This particular amendment was taken out because it had a \$2 million fiscal note. That money was not available in the budget, and they had not identified a source for that money. With the block grants, they have identified a source for the money to make sure they can do this. This is a good amendment that allows flexibility for unified districts if the Legislature cannot find enough money to hold every elementary and every high school district harmless. With additional money in the elementary budget, through an agreement with the school board, a district can move money from budget to budget. This is hopefully where they will go in the future. School districts will be K-12 districts and move the money where it has to be used. There are a lot of high schools in the state that will benefit by having the flexibility to do this. They cannot solve all the problems, but this is a potential help, he contended.

**SEN. ESP** said they found the money by taking other money that they were going to send to K-12 and sending it back in a different way for another purpose. It did not save anybody any money. He did not think that was the way to approach this. He said it goes back to the whole SB 147 debate, and he would oppose that part of the bill. If they are going to do this at the state level, they need to figure out how to find the money to do it and do it. He did not think they should shift from federal funds to local taxpayers.

**SEN. LAIBLE** asked if this is the issue that **Mr. Feaver** spoke about. **SEN. RYAN** advised, yes. This is a local control issue that could save the state money. If they were to hold every district harmless, the amount of money they would have to put into the entitlements would be much greater. **SEN. LAIBLE** said

the amendment is not from one district to another district someplace else. **SEN. RYAN** did not believe the Great Falls district would be sending any money to **SEN. LAIBLE'S** district.

**SEN. ESP** said some of the block grant money would have gone to **SEN. LAIBLE'S** district. In the new way, it will be redirected and used within the Livingston and Great Falls districts. **SEN. RYAN** asked **Mr. Melton** to explain if there is any other way. **Mr. Melton** advised the current distribution is to virtually every school district in the state. Two districts do not get anything. The range is from fifteen cents per pupil up to \$571 per pupil. It is largely based upon the same areas where it would be anticipated to be based upon in base taxes, where there is a great amount of industrial equipment or property. Places like the Bitterroot would see a substantial improvement. This language specifically applies to a particular type of district. There are K-8 standalone districts like East Helena Elementary. There are also K-12 school districts like Hamilton and Corvallis that can already do this. Unified districts are two school districts that the law allows to work together to have a common superintendent, staff, and collective bargaining agreements. To the extent that it takes money that is currently being distributed to every school district in the state, including independent elementary schools like Lone Rock, and then is being used to pay for the costs of fund balance re-appropriated, it is true that the statewide share of guaranteed tax base of \$2 million would go to schools that spend money more efficiently.

**Vote:** Motion carried 16-3 by roll call vote with **SEN. BALES**, **SEN. ESP**, and **SEN. KEENAN** voting no.

**Motion:** **SEN. RYAN** moved that HB 63 BE CONCURRED IN AS AMENDED.

**Discussion:**

**SEN. STAPLETON** asked **SEN. JON TESTER** about the shift in what the interim might include. There had been a commitment not to have a special session. He asked how **SEN. TESTER** would reconcile this, after standing up at the beginning of the session and saying they would find the system and fund it. **SEN. TESTER** did not know if this bill had anything to do with why they are doing the special session. The fear is about the funding mechanism. The joint committee is working on the funding mechanism, and that will be a lot of what their recommendation is. He would love to see a funding mechanism get out by the end of the session. If, for some reason, that cannot happen then realistically they have to look at a special session. **SEN. STAPLETON** said his concern was they were fast-tracking this, even though they know that SB 177 is to fund the status quo. To move this forward is an

acknowledgment that they are not going to wait to see what the Joint Select Committee will do, at least in the Senate, and therefore probably in the House. **SEN. TESTER** did not see it that way. He thought this was a one-year funding bill. The problem the educational community has with SB 177 is that it funds a dysfunctional system. If they knew for a fact that there would be a new funding mechanism implemented the second year of the biennium, educators would be more comfortable with SB 177. Educators are not sure of that, and rightfully so given what has transpired over the previous sessions. No one thinks a new funding mechanism can be put into effect July 1 of this year. The best case scenario is to fund the first year of the biennium with SB 177 in the illegitimate system and to try to get a funding mechanism bill out that will address the second year. If it does not happen, they will need to address it. If they have to go to a special session, so be it. He stated he did not want a special session, but you do not always get what you want.

**SEN. KEENAN** said HB 63 is before them and they know where this is going. **SEN. RYAN** mentioned that HB 125 is a dead duck. That could have been an amendment into this bill as easily as SB 177. That decision was made by **SEN. RYAN** and perhaps **SEN. TESTER**. The Democratic Senate Caucus decided to go that route. In SB 177 versus HB 125, Big Sandy is a winner, Billings is a loser. Ravalli is a loser. Whitefish is a loser, Kalispell is a loser, Bozeman is a loser, and Helena is a big loser. Havre is a loser, Polson gets a wash, Butte is a winner, Livingston is a winner, Big Timber is a loser, Missoula is a big loser, Great Falls is a winner, and Bigfork is a loser.

**SEN. TESTER** commented that kind of regression analysis is going to be behind the new fund mechanism too, and not everybody will be a winner in that one either. From his perspective, SB 177 was amended into this bill because SB 177 already had the policy debate and a fiscal note. SB 147 went through this committee.

**SEN. SMITH'S** bill had already been through the Senate also. There was reasonable authority to do those amendments.

**SEN. ESP** asked about putting money into the illegitimate system for one year. He wondered why they would not want to reverse the philosophy and put more money into the 2007 year and less money into the illegitimate system. **SEN. TESTER** thought that would increase the number of losers. Of the \$80 million that they will plug into K-12 education, \$45 million will be in the second year of the biennium. **SEN. ESP** contended if they put less in the first year, there will be bigger losers in the second year. **SEN. TESTER** replied that was reversed. They cannot scrap the current funding mechanism in first year; it is physically impossible. They used SB 177 to plug money in. He said he would have to look

at the charts that **SEN. KEENAN** talked about. He did not know if there were losers compared to a previous year, or losers compared to increases in this year. That will need some study. In the figures he was given, about 96% of the students in the state would have an increase. After they get done plugging the money into SB 177 in the first year, they have to have a funding mechanism that will work when money is plugged into it. If the new funding mechanism gets starved, they will have made a big mistake from the state level. He wished they had more money to plug in the first year, and wished they could get rid of the old funding mechanism for the entire biennium. They need to work within the means they have, and he thinks they are doing that.

**SEN. GREG BARKUS** asked **Mr. Feaver** to explain his testimony where he called SB 177 fraudulent. **Mr. Feaver** said it funds a failed system that the courts have found unconstitutional. It sunsets and deprives high school districts of appropriate money without the flexibility. It will give some flexibility to those districts that are unified to share that money across their taxing jurisdictions. It remains to be seen if that is going to work very well. It is an invitation for somebody to conclude that the Legislature has fixed the problem, and it has not. **SEN. BARKUS** asked **SEN. RYAN** if it bothers him that they are moving legislation forward as a solution that the plaintiffs in a lawsuit are calling fraudulent. **SEN. RYAN** did not think that SB 177, HB 63, and SB 147 were intended to be a long term solution. SB 177 is a two-year bill that was meant as a short-term quick fix. School districts are currently setting their budgets. If the Legislature said they have to set their budgets on a constitutionally relevant formula, the Legislature would have to suspend school for the next two years until they have a formula that is educationally relevant. In order to keep moving forward, they have to put money into that first year, and then work hard on a long-term solution. This was never intended to be the long-term solution.

**SEN. STAPLETON** disagreed that this was a reasonably appropriate thing to do. He thought what transpired on the Senate floor the previous Thursday was not appropriate, and declared that the place to amend entire bills into other bills without fiscal notes is in committee. All fifty Senators are harmed by the process, he claimed. He did not agree that HB 63 as amended was an reasonably appropriate solution, if for no other reason that the Chairman of the Education Committee could have chosen to do this. He questioned funding a mechanism that preserves the status quo in the face of the opposition who brought the lawsuit in the first place. This is not about Billings, and Billings is a big loser, he emphasized. He is a state Senator, and this is state policy. They should be statesmen and address this in a manner

with the hopes that the President laid out in the beginning of the session. He contended a monkey could do the first part, which is giving school districts relief. No matter who was in control, the Legislature would have done that part. He thought SB 152 is something people can be proud of, but to punt on the mechanism goes against what they said they were going to do. Moving this bill forward at breakneck speed, breaking precedent in the process, is a bad mistake. For \$67 million, they did not advance the ball; they punted. They could have delayed the effective date for a funding formula. He thought someone did not communicate the changed definition of a successful session. There was no communication of what would happen on Thursday afternoon until the last minute.

**SEN. TESTER** responded that they needed to fund education in some manner. They will not let it drop off like the chart by **Mr. Standaert** illustrated. They have to come forward with a bill to fund it. That happens to be this bill at this point in time. Nobody is punting on a funding formula; they will try to get a funding formula out. If not, they will need another plan. As far as setting precedents for what they do with bills on the floor of the Senate or in committee, the precedent that was spoken of was set last session, the session before, and the session before that. If anyone wants specific instances, he can provide them.

*{Tape: 3; Side: B}*

**SEN. ESP** commented he will oppose the bill because it is a tax increase of \$50 million over the biennium at the local level. As **SEN. STAPLETON** said, with a \$300 million surplus, any monkey could give immediate relief. If he was part of the monkeys in charge, there would be a \$50 million local property tax increase taken out of federal funds. **SEN. TESTER** demanded to know, just as **SEN. STAPLETON** asked who "you" was, who were the "monkeys". **SEN. ESP** admitted he was one of the monkeys on his side of the aisle. He thought there is a way to do this without shifting the burden of the federal retirement funds back to the local property owners. He thought he could figure out a way, and before this bill gets to the floor, he could present an idea. The way it is now, he would not support it.

**SEN. BALES** agreed with **SEN. ESP**. They had the right idea last session to take the burden off the local property owners. Property owners in different districts are impacted differently when there is an increase in federal money. He thought the bill could sit in this committee for a week or two weeks and the Joint Committee, the Senate and the House could work to come up with the solution. There is a push to cram this through, and he was



not sure why. On one hand he heard they are going to work on a solution and go forward with that. That does not jibe with the reality he saw the previous Thursday or today. There will be sufficient time after HB 2 to take action on this bill, amend in a solution that may be the final solution, and still pass it through this Legislature for the benefit of all. For some reason, they are cramming this through as fast as they can cram it through. He said he would vote no.

**SEN. TESTER** advised this bill has no effect on the work of the subcommittee on the funding formula. If they never pass this bill, or they pass it today and it is signed by the Governor this afternoon, it has no effect on what the joint committee on the funding mechanism does. They are approaching twenty days in this session, and they do not have a lot of time left. School districts are in the process of setting budgets and need to know that the Legislature is serious about getting the job done. They could wait another three or four weeks, but why. They have a definition, they dedicated some money to education in the first year, and in the second year they will set up a funding mechanism that works.

**Vote: Motion carried 12-7 by roll call vote with SEN. BALES, SEN. BARKUS, SEN. BRUEGGEMAN, SEN. ESP, SEN. KEENAN, SEN. LAIBLE, and SEN. STAPLETON voting no.**

**ADJOURNMENT**

Adjournment: 11:10 A.M.

---

SEN. MIKE COONEY, Chairman

---

PRUDENCE GILDROY, Secretary

MC/pg

Additional Exhibits:

**EXHIBIT ([fcs66aad0.PDF](#))**